

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 AID-05 CEA-01 CIAE-00 COME-00  
FRB-03 INR-10 NSAE-00 SP-02 STR-07 TRSE-00 LAB-04  
SIL-01 OMB-01 AGRE-00 ITC-01 SS-15 NSC-05 L-03  
/079 W

-----051229 162117Z /41

P 162005Z FEB 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC PRIORITY 4947  
INFO ALL EC CAPITALS

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USEEC

E.O.11652:N/A  
TAGS: ETRD, EEC, FR  
SUBJECT: EC ANTI-DUMPING INVESTIGATION ON KRAFT LINER

REF: (A) BRUSSELS 2130, (B) 37681

1. TEN U.S. KRAFT LINER EXPORTERS ATTENDED THE FEB 16  
CONFRONTATION SESSION SCHEDULED AS PART OF EC ANTI-  
DUMPING INVESTIGATION. THE NAMES OF ATTENDING FIRMS  
FOLLOW: CHESAPEAKE, ST. REGIS, GREAT SOUTHERN PAPER,  
WEYERHAEUSER, UNION CAMP, CONTINENTAL FOREST INDUSTRIES,  
CONTAINER CORPORATION OF AMERICA, INTERNATIONAL PAPER  
COMPANY, MCMILLAN BLOEDEL, BOISE CASCADE. ON EUROPEAN  
SIDE, IN ADDITION TO THE FRENCH COMPLAINANT, CELLULOSE  
DU PIN, FIRMS AND PAPER ASSOCIATIONS FROM FIVE OTHER  
MEMBER STATES PARTICIPATED. CHAIRING FOR THE EC  
COMMISSION WAS HANS BESELER. THE MEETING LASTED  
APPROXIMATELY TWO HOURS.

2. MEETING OPENED WITH A SUMMARY OF THE COMPLAINT  
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PRESENTED BY MR. BESSON OF CELLULOSE DU PIN. HE  
CHARACTERIZED THE LAST FEW YEARS IN THE EC KRAFT LINER  
MARKET AS A STRUGGLE BETWEEN NORTH AMERICAN EXPORTERS  
ATTEMPTING TO EXPAND THEIR MARKET SHARE AND SCANDINAVIANS  
SEEKING TO MAINTAIN THEIRS. SCANDINAVIANS, IN THIS  
EFFORT, REDUCED THEIR PRICES ONLY AFTER U.S. EXPORTERS  
HAD DONE SO. EC PRODUCERS HAVE BEEN OBLIGED EITHER TO

LOWER THEIR OWN PRICES OR GO INTO BANKRUPTCY. LOWER PRICES FOR KRAFT LINER HAVE ALSO DEPRESSED TEST LINER INDUSTRY. IMMEDIATE GOAL OF FRENCH INDUSTRY IS AN ANTI-DUMPING DUTY WHICH WOULD ALLOW EC FIRMS NOT SO MUCH TO MAKE A PROFIT BUT AT LEAST TO BEGIN ENTERING INTO A RECOVERY PERIOD. BECAUSE U.S. DOMESTIC PRICES HAVE INCREASED BY \$20 A SHORT TON SINCE THE COMPLAINT HAD BEEN FILED, CELLULOSE DU PIN NOW BELIEVES THAT THE DUMPING MARGIN PRACTICED BY U.S. FIRMS HAS RISEN TO APPROXIMATELY \$60. CELLULOSE DU PIN SUGGESTED THAT PRICE OF U.S. PRODUCT ON EC MARKET SHOULD THEREFORE BE \$285 CIF PER METRIC TON.

3. MOST OF REST OF THE MEETING CONSISTED OF AN ORAL PRESENTATION OF A WRITTEN BRIEF AND SERIES OF EXHIBITS SUBMITTED BY WEYERHAEUSER. COPY OF BRIEF AND EXHIBITS BEING POUCHED TO EUR/RPE LAMANTIA. WEYERHAEUSER REP (AND ALL OTHER U.S. SPEAKERS) INDICATED THEY COULD NOT DISCUSS SPECIFIC PRICING IN PRESENCE OF OTHER FIRMS AND MAINTAINED THAT MATERIAL THEY HAD SUBMITTED IN RESPONSE TO EC QUESTIONNAIRE WOULD BE SUFFICIENT TO DETERMINE WHETHER DUMPING HAD TAKEN PLACE. WEYERHAEUSER ADDED THAT, FOR ANALYTICAL REASONS ONLY, BRIEF HAD ASSUMED THAT DUMPING ALLEGATION WAS PROVEN SO THAT IT COULD EXPLORE THE QUESTION OF INJURY. SPOKESMAN SAID THAT, AS GENERAL POINT, U.S. IS HIGHLY COMPETITIVE PRODUCER LIMITED OFFICIAL USE

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BECAUSE OF LOW RAW MATERIAL COST AND HIGH PRODUCTIVITY. HE SUGGESTED THAT, IN TERMS OF CUSTOMER-SUPPLIER RELATIONSHIP, MUCH TRADE PASSED UNDER LONG TERM ARRANGEMENT. IF ALL TRADING WERE DONE ON A SPOT BASIS, AND THE MARKETS WERE PERFECT, WITH A SUDDEN DOWNWARD SHIFT IN DEMAND IN THE EXPORT MARKET, PRODUCERS FROM AN EXPORTING COUNTRY WOULD SELL MORE TONNAGE IN THEIR OWN DOMESTIC MARKET UNTIL THEY REACHED A POINT WHERE THE RETURNS EQUALIZED. YET IN MARKETS WHERE POSITIONS ARE GAINED THROUGH TIME AND EFFORT AND WHERE FUTURE BUSINESS IS AN IMPORTANT CONSIDERATION, CUSTOMERS ARE NOT READILY ABANDONED. THIS IS THE CASE WITH LINERBOARD WHICH IS PRODUCED IN LARGE CAPITAL INTENSIVE MILLS WITH A VERY LONG PRODUCTIVE LIFE. IN THAT TYPE OF A MARKET WHEN A DECREASE IN DEMAND OCCURS, MUST A PRODUCER WHO IS FACED WITH LOWER EXPORT REALIZATIONS ABANDON HIS MARKET POSITION OR MAY HE MAINTAIN IT AND ADJUST HIS PRICES TO MEET COMPETITIVE CONDITIONS. UPON READING OF THE COMPLAINT, THE CONSENSUS OF THE PARTIES SEEMS TO BE THAT A PRODUCER IS NOT OBLIGED TO GIVE UP HIS MARKET SHARE IF HE IS ACTING DEFENSIVELY. THE REAL PROBLEM, ACCORDING TO THE COMPLAINT, ARISES WHEN AN EXPORTER WOULD SEEK AN

ADDITIONAL SHARE OF THE MARKET THROUGH LOWER PRICING.

4. WEYERHAEUSER REP ARGUED THAT PRICE AGGRESSION IN THE EC MARKET WAS NOT LED BY U.S. BUT BY SCANDINAVIAN FIRMS. HE STATED THAT SINCE 1970 U.S. MARKET SHARE HAS DECREASED WHILE THAT OF SCANDINAVIA AND CANADA HAS BEEN INCREASING. TO THE PROBLEM OF STAGNANT DEMAND IN THE MARKET, SCANDINAVIANS HAVE ADDED ADDITIONAL PROBLEM OF INCREASED CAPACITY. MOREOVER, USE OF TEST LINER HAS ALSO BEEN INCREASING. KEY POINT IS THAT SCANDINAVIANS BUILT INVENTORY FROM 1975 ON UNTIL MID-1977 WHEN ALLEGED DUMPING PROBLEM AROSE IN EC MARKET. HE NOTED NEWSPAPER REPORTS WEYERHAEUSER HAD TRIED TO INCREASE ITS PRICES

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SIL-01 OMB-01 AGRE-00 ITC-01 SS-15 NSC-05 L-03  
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-----051422 162117Z /41

P 162005Z FEB 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC PRIORITY 4948  
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IN GERMANY BY 12 PERCENT IN JUNE 1977. HE ADDED THAT, AS A RESULT, U.S. EXPORTS HAD DECLINED DRAMATICALLY IN GERMAN MARKET AND SCANDINAVIANS' INCREASED. HE SAID THAT A CANADIAN MILL HAD ALSO COME ON LINE IN 1974 WITH A CAPACITY OF 350,000 TONS, MEANT LARGELY FOR EXPORT TO EC. WEYERHAEUSER EXPERIENCE HAS BEEN THAT CANADIAN FIRM PRACTICES AGGRESSIVE PRICING POLICY.

5. WEYERHAEUSER REP ALLEGED THAT SPECIAL TESTING REQUIREMENT OPERATING IN FRENCH MARKET FOR KRAFT LINER HAS AS ITS EFFECT LARGELY TO ISOLATE THE FRENCH MARKET AND GIVE FRENCH FIRMS A POSITION OF OLIGOPOLY. U.S. FIRMS CAN PRODUCE FOR THE FRENCH MARKET BUT THIS REQUIRES SPECIAL RUNS.

6. IN DISCUSSION OF POSSIBLE COURSES OF ACTION, WEYERHAEUSER STATED THAT SHOULD EC FIND THAT SOME REMEDY IS ESSENTIAL, HIS FIRM BELIEVES IT WOULD BE NECESSARY TO INVOLVE OTHER PRODUCERS. HE STATED HIS UNDERSTANDING THAT SCANDINAVIAN DOMESTIC AND EXPORT PRICES ARE LIMITED OFFICIAL USE

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SIGNIFICANTLY DIFFERENT AND THAT CANADIAN PRICES MAY BE SO. HE ARGUED THAT GATT ANTI-DUMPING CODE, ARTICLE 8-B, REQUIRES ANTI-DUMPING DUTIES BE IMPOSED ON A NON-DISCRIMINATORY BASIS. COMMISSION AGREED WITH THIS CONCLUSION BUT STATED THAT MATERIAL SUPPLIED TO IT BY EC PRODUCERS ALLEGED THAT SCANDINAVIANS WERE NOT DUMPING. WEYERHAEUSER, AND SEVERAL OTHER U.S. FIRMS PRESENT, OFFERED TO GIVE COMMISSION INFORMATION TO THE CONTRARY AND BESELER ACCEPTED.

7. ALL OTHER U.S. FIRMS PRESENT INDICATED THAT THEY HAD BEEN UNAWARE DETAILED PRESENTATION THAT WEYERHAEUSER PLANNED TO MAKE BUT THAT, BY AND LARGE, THEY AGREED WITH WEYERHAEUSER BRIEF AND WOULD NOT INSIST ON MAKING ADDITIONAL GENERAL PRESENTATIONS. BOISE CASCADE REP EMPHASIZED HIS BELIEF THAT SWEDISH FIRMS, NOT U.S., ARE ENGAGED IN DUMPING. UNION CAMP REP SAID HE AGREED WITH SOME OF POINTS IN THE WEYERHAEUSER PRESENTATION BUT THAT OTHERS ARE INCONSISTENT WITH UNION CAMP EXPERIENCE. HE SAID HE BELIEVED THAT UNION CAMP RESPONSE TO QUESTIONNAIRE DEMONSTRATES CONCLUSIVELY THAT IT IS NOT DUMPING AND HE ASKED FOR A PRIVATE SESSION WITH THE COMMISSION TO GO INTO DETAIL. HE SAID HIS FIRM AGREES WITH THE COMPLAINANT THAT THERE IS A PRICE PROBLEM IN THE EUROPEAN MARKET, THAT HE IS WILLING TO COOPERATE IN DISCUSSING THE PROBLEM BUT BELIEVES STRONGLY THAT ANY SOLUTION TO THE PROBLEM MUST INCLUDE THE SCANDINAVIANS, CANADIANS AND PERHAPS OTHER SUPPLIERS. THE U.S. SHARE OF THE MARKET HAS CONSISTENTLY DECLINED AND THAT OF THE SCANDINAVIAN COUNTRIES HAS INCREASED. IF THERE IS ANY DUMPING, HE SAID IT WAS CLEAR WHO HAD BENEFITED FROM IT. PERHAPS THE COMMISSION SHOULD LOOK AT SOME SORT OF MINIMUM PRICE CONCEPT TO APPLY TO ALL SUPPLIERS. HE LIMITED OFFICIAL USE

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THOUGHT THERE IS NO BASIS FOR A PUNITIVE DUTY, EVEN ON A NON-DISCRIMINATORY BASIS, WHICH WOULD NOT DISTINGUISH BETWEEN FIRMS WHICH HAD OR HAD NOT DUMPED.

7. CONTINENTAL FOREST INDUSTRIES AND INTERNATIONAL PAPER BOTH CLAIMED THEY ARE VERY SMALL SUPPLIERS TO THE EC MARKET. ST. REGIS INDICATED GENERAL AGREEMENT WITH THE UNION CAMP POSITION. MCMILLAN BLOEDEL AND GREAT SOUTHERN EXPRESSED AGREEMENT WITH THE WEYERHAEUSER EXPOSITION.

8. COMMISSION SPOKESMAN BESELER RESTRICTED COMMENTS TO SAYING THAT THE PURPOSE OF THE MEETING IS TO BEGIN FINDING A SOLUTION. HE THOUGHT IT WOULD BE DIFFICULT TO ARRIVE AT ONE QUICKLY. HE THEN SCHEDULED INDIVIDUAL MEETINGS FOR AFTERNOON OF FEBRUARY 16 AND ALL DAY FEBRUARY 17 WITH U.S. FIRMS. HE THOUGHT THAT THE GENERAL CONFRONTATION SESSION WOULD NOT BE RESUMED.

9. TONE OF MEETING WAS FRIENDLY WITH U.S. FIRMS ANXIOUS TO APPEAR COOPERATIVE BUT EXPLICITLY NOTING CONCERN OVER POSSIBLE ANTI-TRUST IMPLCATIONS. BESELER MADE CLEAR THAT ON PURPOSE OF THE PRIVATE SESSIONS WOULD BE FOR THE COMMISSION TO VERIFY SUBMISSION BY U.S. FIRMS. HE ALSO STATED THAT THE COMMISSION WOULD ACCEPT ADDITIONAL WRITTEN SUBMISSIONS FROM THE U.S. FIRMS.

10. BESELER INVITED MISSION TO STAY IN TOUCH WITH HIM ON THE CONDUCT OF THE CASE AND WE PLAN TO DO SO. HINTON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** WOOD PRODUCTS, INVESTIGATIONS, ANTIDUMPING LAW (TRADE), BUSINESS FIRMS  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**To:** STATE  
**Type:** TE  
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